

# National Income Gain in 1936 Largest of Recovery Period

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NATIONAL income produced increased from 55 billion dollars in 1935 to 63.8 billion dollars in 1936, thus continuing the upward trend which was initiated in 1933. This represents the largest increase for any year of the recovery period. The net value of goods and services produced in the United States in 1936 was nearly 9 billion dollars more than the revised estimate for 1935, and nearly 25 billion dollars, or 61 percent above the low point of the depression recorded in 1932. Since prices were but slightly higher in 1936 than in 1935, nearly all of the increase in dollar volume last year represented an increase in "real" income. The dollar total for 1936 was approximately one-fifth lower than the total for 1929. Each of the major industrial divisions contributed to the enlarged output in 1936 with manufacturing, trade, and agriculture accounting for more than half of the total gain.

National income paid out in the form of wages, salaries, dividends, interest, entrepreneurial withdrawals and other items increased from 54.6 billion dollars in 1935 to 62.1 billion dollars in 1936. These figures compare with the 1929 total of 78.2 billion dollars and the 1933 low of 44.9 billion dollars. Of the 7.4 billion increase over 1935, nearly 5 billion was accounted for by the increase in the compensation of employees and another 1.5 billion represented increased dividend disbursements, the latter being approximately half again as large in 1936 as in 1935.

Employees compensation in 1936 represented a fractionally higher proportion of the national income paid out than in 1935, and was above the percentage shown for any year covered by the study. The proportion which dividends represent of total income payments increased sharply in 1936. Interest payments continued the decline in relative importance which began in 1934. Generally, the 1936 changes tended to bring the various types of payments more closely in line with their 1929 relationships.

Preliminary estimates indicate that income produced exceeded income paid out in 1936. In each of the years 1930 to 1934, inclusive, income paid out exceeded income produced, resulting in negative business savings which reached substantial proportions in the years of severest depression. While the estimates of business savings in 1935 and 1936 are not only preliminary but also are subject to numerous qualifications, the elimination of the large negative business savings which had reached the magnitude of nearly 9 billion dollars in 1932, is a development of considerable interest.

## Basis of Estimates.

Comprehensive discussions of the concepts, scope, and limitations underlying these estimates have appeared in previous publications of the Department of Commerce.<sup>1</sup> While the basic concepts and scope of the estimates shown in the accompanying tables have not been altered materially from those followed in the previous estimates, many of the sources and methods

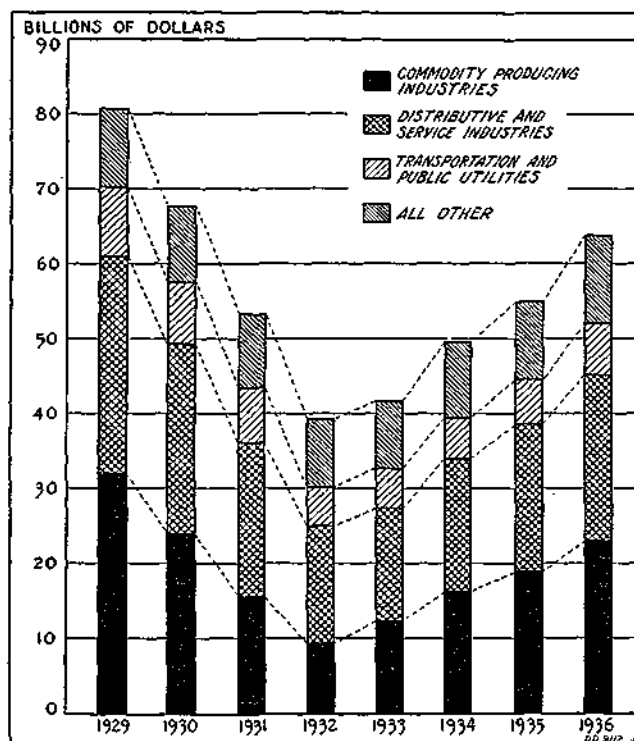


Figure 1.—Income Produced, by Major Industrial Classes, 1929-36.

have been changed since the release of the publication, "National Income in the United States, 1929-35." Limited space permits only a brief resumé of the definitions and of the changes in sources and methods which have led to revisions in the estimates.

In a study of this nature which entails the application of a great variety of statistical data derived from many agencies, it is both necessary and desirable to revise and to improve the estimates as the opportunities to do so present themselves. The degree of accuracy

<sup>1</sup> Since the Department of Commerce initiated work in this field several years ago in response to a Senate resolution, it has published two volumes entitled "National Income, 1929-32", S. Doc. 124, 73d Cong., 2d sess., published in 1934 (out of print) and "National Income in the United States, 1929-35", published in 1936. Articles containing summary estimates have appeared in the January 1935, August 1935, November 1935, and the July 1936 issues of the Survey of Current Business. Each of the two volumes mentioned above included detailed descriptions of the sources and methods used in deriving the figures as well as explanations of the concepts, scope, and limitations of the estimates.

of the estimates differs considerably from industry to industry and only by continued investigation can the weaker series be improved. Although the tendency to revise the estimates whenever improvements can be made may lead to some inconvenience on the part of those using the estimates, such a procedure is necessary for accuracy.

Comparison of the present estimates with those appearing in "National Income in the United States, 1929-35" will reveal minor revisions for all years from 1929 through 1933, and important revisions for 1934 and 1935 in many industrial divisions and for most types of income payments. These changes resulted from the use of new data made available since the above volume was completed, and from improved methods of estimation developed by more intensive investigation in various directions.

Table 1.—Income Produced, by Industrial Divisions<sup>1</sup>

[1931 figures are omitted because of space limitations]

[Millions of dollars]

Item	1929	1930	1932	1933	1934	1935	1936
Total income produced.....	80,757	67,969	39,545	41,813	49,575	54,055	63,799
Agriculture.....	7,339	5,732	2,456	3,415	4,546	5,112	6,022
Mining.....	1,850	1,276	461	509	858	939	1,143
Electric light and power, and gas.....	1,295	1,197	985	902	1,038	1,045	1,108
Manufacturing.....	19,310	14,124	5,632	7,702	10,095	12,083	14,681
Construction.....	3,272	2,586	711	569	811	826	1,087
Transportation.....	7,132	6,189	3,714	3,661	3,869	4,187	4,890
Communication.....	1,016	978	707	622	645	680	779
Trade.....	10,955	9,157	5,265	5,757	6,775	7,280	8,195
Finance.....	8,712	7,658	4,927	4,411	4,720	5,379	6,235
Government, including work relief wages.....	6,470	6,698	6,704	6,827	7,817	8,036	9,243
Government, excluding work relief wages.....	6,470	6,698	6,704	6,216	6,422	6,763	7,185
Work relief wages.....				611	1,395	1,273	2,058
Service.....	9,342	8,619	5,578	5,168	6,136	6,907	7,782
Miscellaneous.....	4,065	3,505	2,405	2,175	2,295	2,480	2,624
Percentages of 1929							
Total income produced.....	100.0	84.2	49.0	51.3	61.4	68.0	79.0
Agriculture.....	100.0	78.1	33.5	46.5	61.9	69.7	82.1
Mining.....	100.0	69.0	24.9	27.5	46.4	50.8	61.8
Electric light and power, and gas.....	100.0	92.4	76.1	70.1	77.8	80.7	85.6
Manufacturing.....	100.0	73.1	29.2	40.4	52.3	62.6	76.1
Construction.....	100.0	86.7	21.7	17.4	24.8	25.2	33.2
Transportation.....	100.0	86.8	52.1	51.3	54.2	58.7	68.6
Communication.....	100.0	96.3	69.6	61.2	63.5	66.9	76.7
Trade.....	100.0	83.6	48.1	52.6	61.8	66.5	74.8
Finance.....	100.0	87.9	56.6	50.6	54.2	61.7	71.6
Government, including work relief wages.....	100.0	103.5	103.6	105.5	120.8	124.2	142.9
Government, excluding work relief wages.....	100.0	103.5	103.6	96.1	99.3	104.6	111.1
Work relief wages.....							
Service.....	100.0	92.3	59.7	55.3	65.7	73.9	83.8
Miscellaneous.....	100.0	86.2	59.2	53.5	56.5	61.0	64.6
Wholesale price index (Bureau of Labor Statistics).....	100.0	90.7	68.0	69.2	78.6	83.9	84.8

<sup>1</sup> The grand totals in this and the following tables are obtained by an addition of the totals for each industrial field. The income subtotals by industrial fields are primarily in thousands of dollars, while the subtotals of gainfully engaged are usually in actual numbers. The subtotals entered in tables 1 to 4 are either in millions of dollars (for income) or in thousands of persons (for numbers engaged). These subtotals do not, therefore, add up exactly to the grand totals given.

#### Definition of Terms.

The net value of all commodities produced and services rendered in the Nation in a given year is termed

the "national income produced." Theoretically, this total represents the gross value of all goods and services produced, minus the value of raw materials and capital equipment consumed in the productive process. Individuals contribute their services toward the production of these goods and services in the form of personal effort or through furnishing capital, and for these contributions they receive wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties. The aggregate of these payments is designated "national income paid out."

In some years the income produced exceeds the income paid out and the business enterprises<sup>2</sup> of the Nation retain this residual portion of the net product which is called "positive business savings." In other years income disbursed is larger than income produced, and the business enterprises draw upon their resources, this difference being termed "negative business savings."

Positive or negative business savings should not be confused with business profits or losses as commonly used since the former represents the residual after deductions for dividends and entrepreneurial withdrawals; whereas, the latter is usually represented as the amount available for dividend distribution or for withdrawals by entrepreneurs. While positive and negative business savings may be defined precisely for theoretical purposes, they are particularly difficult to measure, not only because of the lack of data, but also because available business records are not entirely suitable for measuring certain phenomena strictly in accord with economic concepts. Estimates of business savings of unincorporated enterprises are based upon questionable assumptions because of the almost complete absence of data relative to the income of such enterprises. Estimates of business savings of corporations are more reliable because of the availability of data from income tax returns, but even here the figures are affected by methods of valuing inventories and by the extent to which depreciation allowances vary from the actual value of capital equipment consumed in the productive process during the given year. When business enterprises follow the practice of valuing inventories at cost or replacement, whichever is lower, negative business savings are exaggerated during periods of falling prices merely because of this price factor. Because of these limitations, estimates of business savings must be interpreted with caution and without attaching too much significance to their magnitude.

Except for agriculture, income paid out is estimated directly. Income produced is arrived at by adding positive business savings to, or deducting negative

<sup>2</sup> In this study, all industrial and independent occupational units engaged in the creation or distribution of commodities or services are regarded as "business enterprises." Included in this category are not only business corporations and partnerships but also individually owned business establishments, governmental agencies, farms, trade associations, and independent professional practices. The farm or physician's practice are business enterprises, whereas the farmer and the physician are entrepreneurs and the compensation they receive for their services is termed "entrepreneurial withdrawals."

business savings from, income paid out. Thus it is evident that estimates of income produced are subject not only to the limitations of the estimates of income paid out, but also to those of business savings. For agriculture, available information permits a direct estimate of income produced, but the problem of estimating the amount paid out by this industry is a particularly difficult one and involves the use of very broad assumptions.

#### Revisions in Estimates 1929-35.

Particularly influential in causing revisions in the 1934 and 1935 estimates were the data provided by the various censuses of 1935 and the figures derived from tabulations of the 1934 income-tax returns, which will appear in the *Statistics of Income* for 1934, to be published by the United States Bureau of Internal Revenue. The latter publication appears annually and is made available about 2 years after the close of the year to which the data apply. Thus, the property income estimates, which are based largely on these data are always subject to revisions for the most recent years. In this article, the estimates of property income and business savings for 1935 and 1936 are based on an analysis of a large number of published corporation income statements and balance sheets, and the figures will be revised in accordance with the *Statistics of Income* volumes for 1935 and 1936, when they are made available. Estimates of business savings based upon a sample of published corporation reports are subject to substantial error for periods when negative business savings are being eliminated and positive business savings are appearing for so many business enterprises. It is difficult to use the percentage changes derived for the corporate sample because the positive and negative amounts tend to be small and often the savings in the base year may be positive for the sample corporations and negative for all corporations or vice versa. The sample which was used for indicating changes between 1935 and 1936 included published reports for more than 2,200 corporations.

Results of the 1935 Census of Manufactures and the Trade, Service, and Mining sections of the 1935 Census of Business led to sizable upward revisions in both the 1934 and 1935 estimates of employment and pay rolls for these industries. The previous estimates had been based on earlier census results extended by the use of current pay roll and employment indexes. There is definite evidence that these indexes had a downward bias during the recovery period. In addition to showing bias in the extent of change from earlier censuses, the 1935 Census of Business covered several new branches of the service industry. Many of these activities had not been recovered in the earlier income figures, and estimates for them have now been included for all years covered by this study.

Upward revisions were offset in part by changes in the estimates for some branches of government, insur-

ance, and transportation. In these instances the changes resulted from the availability of new basic data or from the refinement of available data as a result of more intensive analyses. The revisions will be described more fully in a bulletin to be issued by the Department of Commerce in the near future.

The 1935 and 1936 estimates of property income and business savings are preliminary pending the tabulations of income-tax returns for these years. In addition, the industrial classification of property income and corporate savings will be changed for all years as soon as additional tabulations are made of the 1933 and 1934 income-tax returns. Changes in revenue acts led to the elimination of consolidated returns in 1934 and subsequent years for all except railroad corporations. Many subsidiary corporations, whose records had been included in the parent company's consolidated statement and in the industrial classification of the parent company, were required to submit separate (unconsolidated) returns in 1934 and thereafter. It is obvious that the industrial classification of corporation activities has been affected considerably by this change in the revenue laws. For the purpose of the estimates included herein, the figures for 1934 were adjusted, as adequately as data permitted, in order to conform to the earlier figures on the consolidated basis. More detailed tabulations of the returns for those corporations which submitted consolidated returns in 1933 and unconsolidated returns in 1934 are being prepared by the Bureau of Internal Revenue for the Department of Commerce. These tables will serve as a basis for reclassifying the figures for earlier years in accordance with the industrial classification of the unconsolidated returns.

Estimates of net rents and royalties appearing in the accompanying tables, as well as those included in earlier publications, are not wholly satisfactory because of the omission of rents originating in several industries. An investigation of these omissions and the preparation of estimates to complete the series is now in progress. The increase in net rents likely to result from this analysis probably will be offset by a decline in the estimates of interest payments when a further investigation of this item has been completed. In preparing estimates of interest payments to individuals, it is necessary to eliminate interbusiness payments. This has been accomplished by assuming that all short-term interest is paid to banks and other business enterprises and that interest receipts on long-term holdings of business units are confined to interest received on Government securities. The latter assumption has been accepted because of the limited nature of available data. Additional information bearing on this subject is being developed and a study of this problem will enlarge the deductions for interest paid to business units and thus reduce the estimates of interest payments to individuals.

### Income Produced and Income Paid Out.

The totals of income produced and income paid out as shown in tables 1 and 2 indicate the marked improvement in 1936, as well as the substantial recovery which has occurred during the past 3 or 4 years. More than one-third of the 25-billion-dollar increase in the annual income produced from 1929 to 1936 occurred in 1936. Approximately 60 percent of the decline from 1929 to 1932 had been recovered by 1936, bringing the level in the latter year to within about one-fifth of the 1929 total of 80.8 billion dollars. The 7.4 billion dollar rise in income payments in 1936 was more than twice as large as the gain of the preceding year. Income paid out in 1936 was 17.1 billion dollars higher than in 1933, the low year of the depression for this series; this increase represented more than half of the decline from 1929 to 1933.

Table 2.—Income Paid Out, by Industrial Divisions

[1931 figures are omitted because of space limitations]

[In millions of dollars]

Item	1929	1930	1932	1933	1934	1935	1936
Total income paid out.....	78,174	72,872	48,437	44,907	51,004	54,645	62,056
Agriculture.....	6,161	5,514	3,267	3,005	3,412	3,731	4,105
Mining.....	2,035	1,701	813	801	1,034	1,082	1,277
Electric light and power, and gas.....	1,304	1,475	1,275	1,095	1,137	1,143	1,192
Manufacturing.....	15,014	15,975	8,559	8,516	10,552	11,764	14,253
Construction.....	3,274	3,008	1,033	781	973	937	1,130
Transportation.....	6,753	6,294	4,204	3,823	4,104	4,414	4,891
Communication.....	928	969	791	719	732	757	803
Trade.....	10,852	10,336	7,157	6,104	6,849	7,213	8,112
Finance.....	8,828	8,014	5,696	5,007	5,323	5,628	6,052
Government, including work relief wages.....	6,470	6,698	6,704	6,827	7,817	8,036	9,243
Government excluding work relief wages.....	6,470	6,698	6,704	6,210	6,422	6,763	7,185
Work relief wages.....	9,421	8,963	6,280	6,611	1,395	1,273	2,058
Service.....	4,134	3,923	2,708	2,467	2,551	2,702	2,953
Miscellaneous.....							
Percentages of 1929							
Total income paid out.....	100.0	93.2	62.0	57.4	65.2	69.9	79.4
Agriculture.....	100.0	89.5	53.0	50.2	55.4	60.6	66.6
Mining.....	100.0	83.6	40.9	39.4	50.3	53.2	62.8
Electric light and power, and gas.....	100.0	113.1	97.8	84.0	87.2	87.7	91.4
Manufacturing.....	100.0	106.7	57.0	56.7	70.3	78.3	94.9
Construction.....	100.0	91.9	31.6	23.9	29.7	28.0	36.0
Transportation.....	100.0	93.2	62.3	56.6	60.8	65.4	72.0
Communication.....	100.0	104.4	85.2	77.5	78.9	81.6	86.5
Trade.....	100.0	95.2	66.0	56.2	63.1	66.5	74.8
Finance.....	100.0	90.8	64.5	56.7	60.3	63.8	68.6
Government, including work relief wages.....	100.0	103.5	103.6	105.5	120.6	124.2	142.9
Government excluding work relief wages.....	100.0	103.5	103.6	96.1	99.3	104.5	111.1
Work relief wages.....	100.0	95.1	66.7	60.2	15.2	13.8	21.8
Service.....	100.0	94.9	65.5	59.7	61.7	65.4	71.4
Miscellaneous.....							
Cost-of-living index (Bureau of Labor Statistics).....	100.0	97.5	80.2	76.2	79.0	81.1	82.1

Comparisons between income produced and income paid out for each year reveal positive business savings in 1929 of 2.6 billion dollars, followed by increasingly large negative business savings through 1932 when this item totaled nearly 9 billion dollars. Income produced and income paid out practically balanced in 1935, and the preliminary estimates point to positive business savings of about one and three-quarter billion dollars in 1936. As discussed in the preceding section, the limitations attaching to these estimates are such that

not too much importance should be assigned to their absolute size in any particular year.

An analysis of the estimates of business savings by industrial classes indicates positive business savings of 1.9 billion dollars in agriculture in 1936. If agriculture is excluded, all other industries combined show slight negative business savings. The estimates of business savings for agriculture are unsatisfactory because they are influenced materially by the assumption that the average withdrawals of farmers are equal to the average wages paid to hired labor. As a result of this assumption, the estimates tend to show much wider fluctuations in business savings for agriculture than actually occur. These estimates will be improved measurably when adequate data are available on depreciation charges, capital outlays, and changes in real inventories.<sup>3</sup> The differences between the latter two items and the former

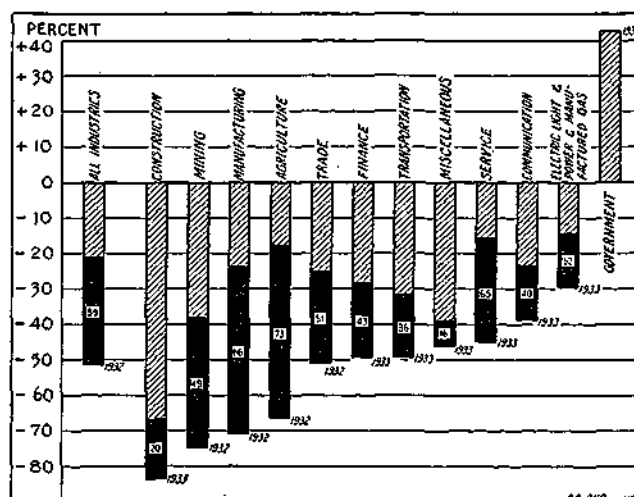


Figure 2.—Percentages Changes in Income Produced By Industries From 1929 To Depression Low And From 1929 To 1936.

(Black area represents proportion of decline recovered since low year)

item would reflect much more accurately the extent of positive or negative savings for agriculture than do the differences between the directly estimated income available to farm operators and the withdrawals of farm operators estimated on the basis of the above assumption.

### Real Income Rose Substantially in 1936.

Both the cost-of-living and wholesale price indexes of the United States Bureau of Labor Statistics increased only slightly more than 1 percent in 1936 over 1935. Neither of these series is suitable for converting the dollar income estimates to a physical volume basis, but they do provide some indication of the general influence of price changes. Thus, it is evident that the 16 percent increase in income produced and the 14 percent increase in income paid out in 1936 reflect a substantially higher physical volume of commodities and services produced and a much enlarged real purchasing power of individuals. Since 1932 income produced has increased more than 60 percent and wholesale prices

<sup>3</sup> The Bureau of Agricultural Economics of the United States Department of Agriculture is now engaged in developing data on these items.

have risen approximately 25 percent. Similarly, income paid out was 38 percent higher in 1936 than in 1933, while the Bureau of Labor Statistics index of the cost of living of urban wage earners increased about 8 percent over the same interval. During the period of decline the percentage decrease in income was much larger than the percentage decline in prices.

Table 3.—National Income Paid Out by Type of Payment

(1931 figures are omitted because of space limitations)

(Millions of dollars)

Item	1929	1930	1932	1933	1934	1935	1936
Total income paid out.....	78,174	72,372	48,487	44,907	51,004	54,645	62,056
Total compensation of employees.....	51,204	47,206	31,013	29,296	33,842	36,318	41,250
Salaries (selected industries) <sup>1</sup> .....	5,667	5,608	3,456	3,072	3,473	3,621	4,130
Wages (selected industries) <sup>1</sup> .....	16,852	13,962	6,798	6,971	8,814	9,828	11,369
Salaries and wages (all other industries).....	27,750	26,652	19,661	17,678	19,264	20,587	22,622
Work relief wages <sup>2</sup> .....			611	611	1,395	1,273	2,058
Other labor income.....	936	985	1,098	963	397	1,009	1,071
Total dividends and interest <sup>3</sup> .....	11,209	11,287	7,930	7,016	7,376	7,588	8,892
Dividends.....	5,969	5,815	2,749	2,213	2,080	3,072	4,573
Interest.....	5,089	5,269	4,930	4,634	4,595	4,467	4,378
Entrepreneurial withdrawals.....	12,842	11,616	8,081	7,258	8,160	8,891	9,783
Net rents and royalties.....	3,419	2,763	1,463	1,337	1,627	1,848	2,131
Percentages of 1929							
Total income paid out.....	100.0	93.2	62.0	57.4	65.2	69.9	79.4
Total compensation of employees.....	100.0	92.2	60.6	57.2	66.1	70.9	80.6
Salaries (selected industries) <sup>1</sup> .....	100.0	99.0	61.0	54.2	61.3	63.9	72.9
Wages (selected industries) <sup>1</sup> .....	100.0	82.9	40.3	41.4	52.3	58.3	67.5
Salaries and wages (all other industries).....	100.0	96.0	70.9	63.7	69.4	74.2	81.5
Work relief wages <sup>2</sup> .....			105.2	102.9	95.8	107.8	114.4
Other labor income.....	100.0	105.2	117.3	102.9	95.8	107.8	114.4
Total dividends and interest <sup>3</sup> .....	100.0	100.7	70.7	62.6	65.8	67.7	79.3
Dividends.....	100.0	97.4	46.1	37.1	45.0	51.5	76.6
Interest.....	100.0	103.5	96.9	91.1	90.3	87.8	86.0
Entrepreneurial withdrawals.....	100.0	94.1	65.5	58.8	66.1	72.0	79.3
Net rents and royalties.....	100.0	80.8	42.8	39.1	47.6	54.1	62.3

<sup>1</sup> Includes mining, manufacturing, construction, steam railroads, Pullman, railway express, and water transportation.

<sup>2</sup> Includes pay rolls and maintenance of Civilian Conservation Corps enrollees and pay rolls of Civil Works Administration, Federal Emergency Relief Administration, and the Federal Works Program projects plus administrative pay rolls outside of Washington, D. C., for all except the Federal Works Program. Area office employees and their pay rolls under the Federal Works Program are included with the regular Government employment and pay-roll figures.

<sup>3</sup> Includes also net balance of international flow of property incomes.

Practically all indexes of the quantity of goods produced or services performed show marked gains since the low point of the depression. In some series, the 1936 average levels were not far below those of 1929. However, in the construction, mining, and steam railroad industry the volume of activity in 1936 was far below the level which prevailed immediately preceding the depression. The national income produced and the Bureau of Labor Statistics wholesale price index in 1936 were 21 percent and 15 percent, respectively, below their 1929 levels. Probably a more comprehensive price series reflecting properly the price of all goods and services produced would indicate a greater disparity between the real income in 1936 and in 1929 than is indicated by the Bureau of Labor Statistics wholesale price index. Moreover, in making any com-

parisons between recent years and 1929, it is important to keep in mind the continued growth in population.

#### All Industrial Groups Share in 1936 Rise.

Each of the 12 major industrial groups into which the economic activities of the Nation have been classified showed gains in 1936 in both income produced and income paid out. The construction, manufacturing, and mining groups all recorded increases of more than 20 percent in income produced in 1936 relative to 1935. Income produced in manufacturing, mining, and agriculture more than doubled from 1932 to 1936. Despite the 32 percent gain in 1936 in the construction industry, the total was only one-third as large as in

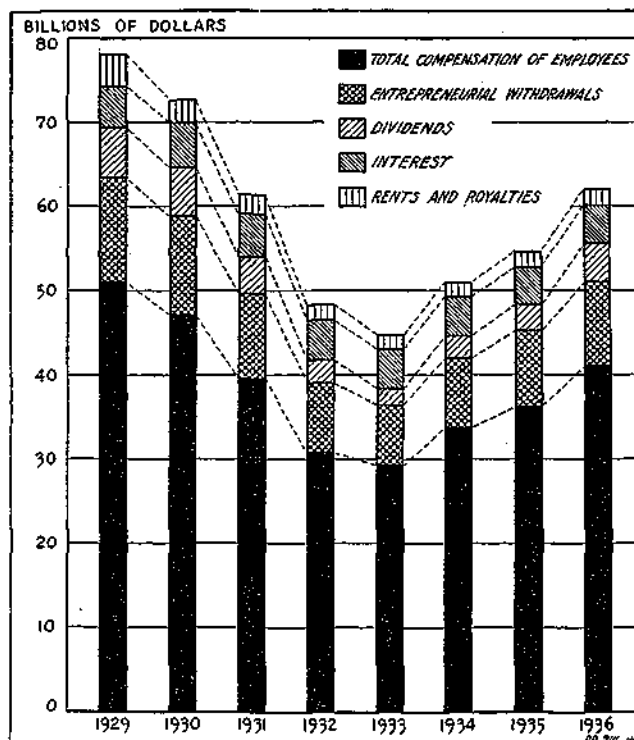


Figure 3.—Income Paid Out, By Type Of Payment, 1929-36.

1929. The mining, transportation, and miscellaneous industries still remained more than 30 percent below 1929. Agriculture accounted for a larger percentage of the national income produced in 1936 than in any other year covered by the study. The proportion of the national product attributable to manufacturing declined from 24 percent in 1929 to 14 percent in 1932 and then increased to 23 percent in 1936. As shown in chart 1, the commodity producing industries declined more than did other groups, and they have also shown the largest percentage gains during the recovery period.

The largest percentage increases in income payments in 1936 relative to 1935 occurred in the construction, manufacturing, mining, and Government groups.<sup>4</sup> Ap-

<sup>4</sup> It is not possible to estimate business savings for Government service and therefore it has been assumed that income produced is equal to income paid out in this branch of our economy. A discussion of the theoretical and practical aspects of measuring income for Government service appeared in "National Income in the United States 1929-35," p. 185-187.

proximately two-thirds of the 1.2 billion dollar increase in income disbursed by Government agencies represented increased aggregate work relief wages. Recipients of income from manufacturing received over 5 billion dollars or two-thirds more in 1936 than in 1932. Relative to 1929, income paid out in 1936 varied from 143 percent for Government and 91 percent for the electric light and power and manufactured gas industry to 36 percent for the construction industry.

#### Dividends Double from 1933 to 1936.

All major types of income payments except interest increased in 1936. Preliminary indications point to a slight drop in the amount of interest flowing to individuals. Compensation of employees increased from 1935 to 1936 in the same proportion as did total income paid out, 14 percent. Dividends in 1936 are estimated to have been 1.5 billion dollars, or approximately 50 percent, higher than in the preceding year and more than double the total for 1933. Despite this sharp rise, dividends disbursed to individuals were 23 percent lower in 1936 than in 1929. Total labor income was 19 percent lower in 1936 than in 1929. In those industries in which salaries and wages could be segregated, the increase in wages during the recovery period has been greater than the rise in salaries, thus reducing substantially the disparity which resulted from the much greater decline in wages than in salaries from 1929 to 1932.

Work relief wages include the compensation of employees engaged on projects under the various public work relief programs in 1933 and subsequent years. Data on this item for years prior to 1933 are not available. The large increase last year resulted from the fact that this period represented the first full year's operation of the Federal Works Program. The Works Program, which was begun in the middle of 1935, replaced the Federal participation in emergency unemployment relief, administered cooperatively by the Federal Emergency Relief Administration and the various States. Under this program, employable cases are certified by local public relief agencies as eligible for Works Program employment. Pay scales are based upon predetermined wage schedules rather than upon budgetary deficiencies, as was the practice under the Federal Emergency Relief Administration work projects. Average earnings under the Works Program are larger than under the preceding program. A larger proportion of total relief recipients were receiving work relief in 1936 than in 1935. Generally, average work relief wages are much larger than average direct relief grants, and since direct relief grants are not included in the income estimates, this was another factor affecting higher total work relief wages in 1936.

Work relief wages are included in the income estimates, just the same as other wage payments, on the presumption that they represent compensation for

economic services rendered. Direct relief disbursements are not included in the national income estimates since they are held to be income transfers rather than income payments. There was a decline from 1935 to 1936 of about 400 million dollars in direct relief. Another item which had a direct and significant influence upon purchasing power in 1936, which is not regarded as a current income payment, was the soldiers' bonus. In 1936 approximately 1.9 billion dollars was distributed in cash and in bonds to war veterans.

#### Employee's Share of Income at New High in 1936.

As shown in table 4, employees' compensation represented a slightly higher proportion of the national income paid out in 1936 than in 1935. Labor's share of 66.5 percent in 1936 compares with 65.5 percent in 1929 and the low of 64 percent in 1932. The percentage which dividends represent of the total income disbursed increased from 5.6 percent in 1935 to 7.4 percent in 1936, which is only slightly below the proportion for 1929. Interest payments, which represent the most inelastic type of income payment, declined as a proportion of total income payments from 10.3 percent in 1933 to 7 percent in 1936. This type of payment had increased from 6.5 percent of the total national income paid out in 1929 to 10.3 percent in 1933. Work relief wages accounted for 3.3 percent of total income payments in 1936 as compared with 2.3 percent in 1935.

Table 4.—Percentage Distribution of National Income Paid Out, by Type of Payment

Item	1929	1930	1931	1932	1933	1934	1935	1936
Total income paid out.....	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total compensation of employees.....	65.5	64.3	64.4	64.0	65.2	66.3	66.4	66.5
Total salaries and wages.....	64.3	63.4	62.7	61.7	61.7	61.8	62.3	61.5
Work relief wages <sup>1</sup> .....					1.4	2.7	2.3	3.3
Other labor income.....	1.2	1.4	1.7	2.3	2.1	1.8	1.8	1.7
Total dividends and interest <sup>2</sup> .....	14.3	15.4	15.9	16.3	15.6	14.4	13.9	14.3
Dividends.....	7.6	8.0	7.0	5.7	4.9	5.3	5.6	7.4
Interest.....	6.5	7.2	8.4	10.2	10.3	9.0	8.2	7.0
Entrepreneurial withdrawals.....	15.8	16.0	16.3	16.7	16.2	16.1	16.3	15.8
Net rents and royalties.....	4.4	3.8	3.4	3.0	3.0	3.2	3.4	3.4

<sup>1</sup> Includes pay rolls and maintenance of Civilian Conservation Corps enrollees and pay rolls of Civil Works Administration, Federal Emergency Relief Administration, and the Federal Works Program projects plus administrative pay rolls outside of Washington, D. C., for all except the Federal Works Program. Area office employees and their pay rolls under the Federal Works Program are included with the regular Government employment and pay-roll figures.

<sup>2</sup> Includes also net balance of international flow of property incomes.

#### Employment and Per Capita Incomes.

Table 5 includes annual estimates of the number of employees and of their per capita income. Wherever possible, the number of employees has been converted to full-time equivalency so as to make for greater comparability in the per capita income figures from industry to industry and from year to year. However, available data did not permit conversion to the same degree of accuracy in all industries, and the estimates are subject to limitations on this account. The



employment estimates exclude unpaid family labor in agriculture and also those employed on work relief projects.

Table 5.—Number of Employees and the Per Capita Income of Employees<sup>1</sup>  
[1931 figures are omitted because of space limitations]

Item	1929	1930	1932	1933	1934	1935	1936
<b>NUMBER OF EMPLOYEES (THOUSANDS)</b>							
All employees <sup>2</sup> .....	34,609	32,625	25,633	25,027	27,510	28,090	20,044
Salaried employees (selected industries) <sup>3</sup> .....	2,213	2,198	1,615	1,503	1,554	1,655	1,770
Wage earners (selected industries) <sup>3</sup> .....	12,084	10,595	7,254	7,726	8,554	9,256	9,955
Salaried employees or wage earners (all other industries).....	20,372	19,832	16,764	16,397	17,301	17,759	18,919
<b>PER CAPITA INCOME OF EMPLOYEES</b>							
All employees.....	\$1,450	\$1,417	\$1,107	\$1,082	\$1,135	\$1,186	\$1,244
Salaried employees (selected industries) <sup>3</sup> .....	2,560	2,552	2,140	2,043	2,099	2,174	2,333
Wage earners (selected industries) <sup>3</sup> .....	1,393	1,318	937	902	995	1,001	1,142
Salaried employees or wage earners (all other industries).....	1,362	1,344	1,173	1,078	1,113	1,159	1,190
<b>Percentages of 1929</b>							
<b>NUMBER OF EMPLOYEES</b>							
All employees <sup>2</sup> .....	100.0	94.1	73.9	73.9	80.2	82.8	58.4
Salaried employees (selected industries) <sup>3</sup> .....	100.0	99.3	73.0	67.9	74.7	75.2	80.0
Wage earners (selected industries) <sup>3</sup> .....	100.0	87.7	60.0	63.9	73.3	76.7	82.4
Salaried employees or wage earners (all other industries).....	100.0	97.3	82.3	80.5	84.9	87.2	92.9
<b>PER CAPITA INCOME OF EMPLOYEES</b>							
All employees.....	100.0	97.7	80.5	74.6	78.3	81.8	85.8
Salaried employees (selected industries) <sup>3</sup> .....	100.0	99.7	83.6	79.8	82.0	84.9	91.1
Wage earners (selected industries) <sup>3</sup> .....	100.0	94.5	67.2	64.7	71.3	76.1	81.9
Salaried employees or wage earners (all other industries).....	100.0	98.7	86.1	79.1	81.7	85.1	87.5
Bureau of Labor Statistics cost-of-living index.....	100.0	97.5	80.2	76.2	79.0	81.1	82.1

<sup>1</sup> The estimates of the number employed are averages for the year and represent full time equivalent numbers for industries in which data permit such adjustments.

<sup>2</sup> Does not include employers and self-employed persons, such as farmers, merchants independent professional practitioners, etc., nor work relief employees and unpaid family farm labor.

<sup>3</sup> Includes mining, manufacturing, construction, steam-railroads, Pullman, railway express, and water transportation.

The number of persons employed declined 26 percent from 1929 to 1933 and then recovered to within 12 percent of the 1929 level in 1936. For those industries in which salaried workers and wage earners can be segregated, the decline from 1929 to 1932 was 27 percent

for salaried workers and 40 percent for wage earners. This disparity was entirely eliminated during the period of recovery.

Per capita incomes are derived by dividing salaries and wages by the full time equivalent number of employees, thus representing the average annual pay rate of full-time employees. The average income of all employees, excluding work relief employees and unpaid family farm workers, dropped 25 percent from 1929 to 1933 and increased 15 percent from 1933 to 1936. Although the Bureau of Labor Statistics cost-of-living index is not representative of changes in the living costs of all workers, it may be used to indicate roughly changes in the per capita real income of employed workers in recent years. In 1933 this cost-of-living index was 24 percent lower than in 1929 as compared with the 25 percent drop in the per capita income. In 1936 the average dollar income of all employees was 14 percent less than in 1929, and the cost of living was 18 percent lower. These comparisons indicate, generally, that per capita real incomes of those employed full time were fairly well maintained throughout the depression although, of course, there were marked variations between different occupations and different industries. The data show much more pronounced cyclical variations in average wages than in average salaries.

Only a limited number of copies of the volume, "National Income in the United States, 1929-35," are available for sale, and a similar volume will not be published until 1938. The Department of Commerce, however, plans to issue a bulletin in the near future which will contain a more comprehensive discussion of the theoretical aspects of the subject and more detailed explanations of changes in sources and methods than have been included in this article. Estimates will be given in the same detail as in the tables appearing in chapters III and IV of "National Income in the United States, 1929-35", showing numbers of persons engaged, income produced, income paid out, types of income payments, and per capita incomes for each of the 12 major industrial divisions. The bulletin will be available for distribution about August 1, and an announcement of the publication date will appear in the Survey of Current Business.